

A Work Project, presented as part of the requirements for the Award of a Masters Degree  
in Management from the Faculdade de Economia da Universidade Nova de Lisboa

**MARKET SELECTION AND MARKET ENTRY RECOMMENDATIONS FOR  
A NON-PROFIT ORGANIZATION'S FIRST INTERNATIONAL VENTURE**

DAVID MIGUEL RAMOS MARTINS

518

A Project carried out on the Field Lab of Strategy course, with the supervision of:

Miguel Alves Martins

JANUARY 6<sup>th</sup>, 2011

## **Abstract**

This Work Project studies the internationalization of non-profit organizations and applies it by developing recommendations for Social Entrepreneurship Institute's (IES) first international venture. A model of foreign market selection was used to choose among eight foreign potential markets based on a proximity approach. A market analysis on the selected market was performed to obtain the best decision regarding entry mode. This study concludes that Spain is the market considered to have more proximity with Portugal and therefore less risk for an international expansion. In the case analyzed, a non-equity joint venture is pointed as the safest entry mode.

**Key Words:** Internationalization; non-profit; foreign country selection; entry mode.

## **Index**

Introduction .....	3
1. Literature Review .....	4
2. Organization Description .....	7
3. Purpose of this work/Methodology .....	10
4. Pilot Market Selection .....	11
5. Market Analysis .....	12
6. Entry Mode .....	15
7. Conclusions .....	18
References .....	20
Appendices .....	23

## **Introduction**

Together with the great expansion of non-profit organizations in the last decades, nowadays we observe a growing trend for Social Entrepreneurship. The concept of Social Entrepreneurship is still poorly defined and its boundaries remain unclear but in spite of that we can work with the core concepts while research continues to clarify its constructs. Interestingly, according to Nicholls (2006) “the lack of clarity over the meaning of social entrepreneurship is, in fact, also the basis of its extraordinary impact – namely its flexibility”. As suggested by Dees (2001), the most widely accepted definition of social entrepreneurship is of a “change agent in the social sector”. Simply, social entrepreneurship is defined by two constituent elements: a prime strategic focus on social impact and an innovative approach to achieving its mission (Nicholls, 2006).

The success of IES - Social Entrepreneurship Institute’s programs in Portugal brought with it a challenge for scaling-up operations. That's why this Work Project will address the internationalization of IES’ program ES+ as a way to foster scale, innovation and sustainability to IES and develop a framework that can be used by similar organizations seeking to scale-up by internationalizing, namely on foreign market selection and entry mode selection.

This work starts with a literature review on internationalization that pays also attention to the dynamics of scaling up operations within the social sector. Before the details on the methodology used, the reader will be introduced to IES and ES+ addressing its objectives, results and critical success factors. Afterwards this study will concentrate on assessing the potential markets considered for expansion and perform a market analysis on the selected one. Finally this work will evaluate different entry modes for the selected market and therefore complete the recommendations for IES.

## **1. Literature Review**

### **Scaling Up Successful Models**

As Bradach (2004) acknowledged, “the nonprofit sector is comprised of enterprises usually operating in a single neighborhood, in a single city or town. Often, this may be the most appropriate form of organization, but in some – perhaps many – cases, it represents a substantial loss to society overall. Time, funds, and imagination are poured into new programs that at best reinvent the wheel, while the potential of programs that have already proven their effectiveness remains sadly underdeveloped.”

Leveraging the knowledge developed by others can enable entrepreneurs to increase the speed of implementation and the probability of obtaining success. As an example, Bradach (2004) invites us to look at Franchising. Independent start-ups face a much higher failure rate than new units in a franchise chain because by being part of a larger system they can easily access to resources and expertise that might be unaffordable for a single unit. If it is true that “a major barrier to solving a variety of problems in the non-profit sector is that many players succeed in implementing individual (pilot) projects at local and regional levels, without managing to scale them up successfully” (Ahlert, 2008), it is also true that in the modern and global context these organizations also face pressure to expand operations and ultimately to internationalize as a way to enlarge their social impact, create knowledge and achieve more sustainability. Hence, given a successful project, one pertinent challenge is how to scale up, as defined by Ahlert (2008), “spreading social sector innovations into new geographic locations in order to achieve greater impact”. Furthermore, even knowing where the initiatives can be better replicated “it is still crucial to find local champions, who will exert the necessary energy and garner essential resources. In the nonprofit sector, it is very difficult to pursue pure

‘push’ strategies – literally taking a program to a city without local involvement and support” (Bradach, 2004). As Ahlert (2008) recognizes, sometimes “someone external might have become aware of the social impact that the particular project had, and subsequently asked the organization to extend the project”. Moreover “leveraging existing networks by identifying partners who can supply essential resources is an important way to facilitate rapid growth (Bradach, 2004).

### **Going International**

There are no reasons to believe that social enterprises do not face the same challenges other companies do when internationalizing. Blomstermo and Dharma (2003) noticed that “many case studies show that firms initially enter foreign markets through neighboring countries and then gradually move on to establish themselves in more distant markets” and therefore we should also expect a similar pattern for a social enterprise. In most of the cases when a firm decides to internationalize it has limited international experience and in fact “research has shown that experience is crucial in the internationalization process and that this experience is developed through “learning by doing” in international markets” (Blomstermo and Dharma, 2003).

Papadopoulos and Denis (1988) agreed that “one of the very first concerns of firms that plan to start new or expand existing international activities is the choice of one or more countries as target markets”, after deciding to go international. Foreign market selection (FMS) involves the process by which countries are evaluated based on a number of criteria and chosen to best match the related companies’ goals and preferences regarding the criteria. Since studies such as Cavusgil (1980) show that similarity between the home market and the foreign markets influence company performance positively, this study will follow Hortacsu and Tektas (2009) approach that introduces proximity as the

main construct for explaining the initial country selection decision of the internationalization. Proximity is considered in four dimensions as ethical, cultural, geographical and economic proximity (Appendix 1).

### **How to enter?**

When going international one of the most important steps is the selection of the expansion strategy or entry mode. According to Silva & Sousa (2009) there are three different modes of entry: exporting, contracting and investing. Contractual entry modes include licensing, franchising, management contracts, turnkey contracts and non-equity joint ventures. The investment entry mode includes establishing a new subsidiary, joint venture and mergers & acquisitions.

Based on the assumption that internationalization is incremental and the main obstacles for internationalization are lack of knowledge and resources, Johanson & Wiedersheim-Paul (1975) introduced the Uppsala internationalization model, which identifies four sequential stages of the internationalization process:

- Stage 1: no regular export activities;
- Stage 2: export via independent representation (agent);
- Stage 3: establish subsidiary;
- Stage 4: local production/ manufacturing

Anderson & Gatignon (1986) propose that entry mode is a trade-off between the control sought for the operation and its risk. Furthermore, Driscoll (1995) analyzed the characteristics of export, contractual and investment entry modes from five aspects of control; dissemination risk; resource commitment; flexibility and ownership (table 1). Control refers to that the extent of a firm in managing activities. Dissemination risk refers to the firm's know-how that may be expropriated by a contractual partner.

Resource commitment refers to the financial, physical and human resources employed. Flexibility measures how a firm can change the entry mode in case of needing it. Ownership refers to the investment in a specific entry mode.

**Table 1 – Characteristics of different entry modes**

Entry method	Control	Dissemination Risk	Resource Commitment	Flexibility	Ownership
<b>Investments</b>	High	Low	High	Low	High
<b>Contracts</b>	Medium	Med-High	Med-High	Medium	Med-High
<b>Exports</b>	Low	Low	Low	High	Low

In addition, Erramilli (1990) argues that the “inseparability of service” is the factor that is responsible for distinguishing entry behavior in the service and manufacturing sectors. Erramilli proposes that “services for which production and consumption of a service can be decoupled can be termed hard services and those for which production and consumption occur simultaneously can be described as soft service”. As a result, soft services are limited to contractual entry and investment. Driscoll (1995) suggests that “a diverse range of situational influences that could bear on a firm’s desire for certain characteristic of mode choice”. These factors that influence a firm to choose an entry mode were summarized in appendix 2.

## **2. Organization Description**

### **IES: Mission and Objectives**

The IES - Social Entrepreneurship Institute is a non-profit association born to introduce in Portugal the excellent results that social entrepreneurship has achieved internationally. IES believes that social entrepreneurship is a field that should be stimulated in order to develop people with mindsets focused on solving problems



through innovative projects that solve social issues. IES emerges with the mission to work with organizations and outstanding individuals, determined to identify, support, train, promote and link initiatives, inspiring and empowering for a better world. Their vision is to become a reference in learning and research on social entrepreneurship<sup>1</sup>.

### **Product Definition**

ES + is a research project focused on Social Entrepreneurship initiatives that works by municipality or group of municipalities and usually is mostly funded by local authorities. This program, considered a European best practice<sup>2</sup>, is the cornerstone of IES as it identifies and examines initiatives that demonstrate high potential for social and environmental transformation on a basis of local partnerships, particularly with the Municipal Councils and Universities. ES+ identifies the most innovative solutions and with greater capacity to generate impact, regardless of being profitable or not, the important thing is to respond to a social problem. Ultimately, IES publicizes the initiatives that best meet the selection criteria.

Today and after Cascais successful experience in 2009, ES+ runs in 7 counties of Vila Real district and IES expects 20 municipalities to sign a contract by 2011. IES also expects to have all the Portuguese social entrepreneurship map scanned by 2013 and launch the first pilot international experience by 2012.

### **Impact**

The impact of IES initiatives is pretty tangible. Local authorities know the state-of-art of their social entrepreneurship initiatives can now monitor and support them; universities found a partner for research and teaching in social entrepreneurship and we

---

<sup>1</sup> <http://www.ies.org.pt/> - accessed on 15<sup>th</sup> October 2010

<sup>2</sup> According to IES' executive director

assist now to a boost in the number of students researching in this field and involvement in the social issues due to IES direct action; social entrepreneurs can develop knowledge and promote their projects; and the community will gain awareness on what the social sector is performing.

### **Critical Success Factors**

Using the same methodology as Schnitzer (1979), a total of four people were consulted to determine IES and ES+ critical success factors, three members of the staff and another element that is working on ES+ implementation. The results show a collection of the most referred critical success factors.

- Having local partners and the external initiative of a Champion
- Partner University
- ES+ Methodology: Direct contact and close relationship with social entrepreneurs enhanced by the quality of the people who run the programs
- Financial liquidity

The fact that IES was most of the time presenting the concept of social entrepreneurship firsthand and personally was also referred as a critical success factor but because this feature is difficult to confirm this research will not take it into account. Hence, further research on this issue is recommended. Some considerations can be made regarding the collected data. First, none of the staff consulted showed difficulty in understanding what critical success factors are or in identifying them. Moreover, it seems that most of them have already that in mind what suggests that they might be already using it informally but not totally aligned with each other. Secondly, it is easy to observe that both ES+ ongoing projects and the pilot experience in Cascais had all of the identified critical success factors and therefore its success is understandable. Lastly, IES' experience is

still limited and these critical success factors might not be enough or adequate to achieve good results in every market but currently it is the best proxy for future ventures.

### **3. Purpose of this work/Methodology**

The goal of this work project is to develop recommendations for the first internationalization venture of IES, more precisely to find out which market to go and which entry mode to use on it. For that purpose some literature was reviewed in order to understand the issues that could arise. Afterwards, together with IES' management team, some fundamental issues that are specific from the nature of IES' activity were analyzed, such as objectives, product definition, results and critical success factors. To gather information for that purpose several weekly meetings with IES' executive director were scheduled. Furthermore, e-mails were exchanged with IES' board members and several other descriptive documents provided by IES were analyzed as well as their website.

Regarding the international expansion, after selecting potential markets for expansion, this study analyzed the issue of country selection by adapting a model practiced in literature that defined relevant objective for foreign country selection.

Lastly, using data available on the internet and other sources, the characteristics of the target market were also appraised to gain insights on how the expansion should be done in order to get in touch with a coherent entry strategy in the considered market for expansion.

#### **4. Pilot Market Selection**

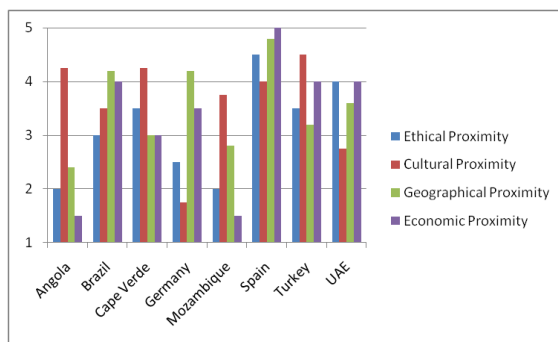
We must consider the situation faced by IES. As a start-up with no internationalization experience it should start with markets that represent a low level of risk and where they can learn from in order to continue their expansion in future.

##### **Potential Target Markets**

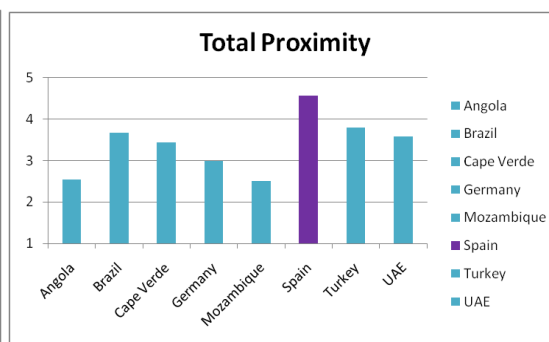
This study will consider as potential markets for expansion those that possess local authorities or other institutions that already developed any form of contacts with IES towards a local replication of ES+, having by this a type of local support and a local champion. Specifically, the potential markets to be analyzed will be Abu Dhabi, Berlin, Fogo Island, Istanbul, Luanda, Madrid, Maputo and São Paulo. In Portugal ES+ is developed on a municipality basis and therefore the potential markets to be examined will also use a similar basis at an ending point. However, due to the insufficiency of data to run the model of foreign market selection on a municipal basis, for convenience the markets will be analyzed primarily on a country basis and following the country selection the study will shift towards the respective market's municipal unit.

##### **Foreign Market Selection**

All the potential markets were analyzed using Hortaçsu & Tektaş' (2009) framework that is supported by the proximity approach. Thus, potential markets' countries were assessed in four dimensions, namely ethical, cultural, geographical and economical (appendix 2). Afterwards, these results were transformed into relative values using a 5-point Likert scale ranging from 1 to 5 representing respectively relative very low and very high proximity (appendix 3). Results are presented in exhibit 1 and exhibit 2.



**Exhibit 1 – Relative proximities by country**



**Exhibit 2 - Average relative proximity by country**

We can observe that Spain stands out with a score of 4.6 as the market with highest average proximity with Portugal followed by Turkey (3.8), Brazil (3.7) and the United Arab Emirates (3.6) (details on appendix 4). The significant distance between Spain and the other markets result that among the considered markets Spain is the less risky option for expansion. Turkey and Brazil also represent very considerable options for expansion but lack geographic and ethical proximity, respectively. It is important also to refer that the UAE scored the second highest proximity (after Spain) in terms of ethical proximity. All the Portuguese-speaking African countries show a high cultural proximity. Future economical and ethical developments on Portuguese-speaking African countries make these markets very attractive, especially Cape Verde.

## **5. Market Analysis**

### **Spain**

Bordered by France, Andorra and Portugal, Spain is a developed country with the ninth largest economy in the world by nominal GDP, and very high living standards. Spain's counts with a population of 46,505,963 (July 2010 est.) and its main metropolitan areas are located in the cities of Madrid, Barcelona, Valencia, Seville and Bilbao. After

almost 15 years of above average GDP growth, the Spanish economy began to slow in late 2007 and entered into a recession in the second quarter of 2008. Spain counts with a Labor force of 23.04 million (2009 est.) and an unemployment rate of 18% (2009 est.).<sup>3</sup>

## **Madrid**

Madrid is the capital and largest city of Spain. The entire population of the metropolitan area is calculated to be nearly 6.3 million (13.7% of Spain's population). The economy of Madrid region represents 18% of Spain's GDP and is characterized by a high level of specialization in service sector industries, with particular emphasis on transport and communications, business services, financial services, property services and health and education.<sup>4</sup>

The latest forecasts for the Spanish economy show a decrease of 0.3% in GDP in 2010 and 0.9% growth in 2011 with a positive contribution from both external and internal demand. The projections for the City of Madrid suggest a moderation in the pace of decline in GDP for 2010 with an annual rate of -0.6%, a positive growth of 1.0% for 2011 and 1.8% by 2012. According to EPA (Labor Force Survey) data, the unemployment rate was 14.9% in Madrid in the first quarter of 2010.<sup>5</sup> One downside of Madrid's quick growth especially over the last 15 years has been the rising cost of living. The city has grown to become the 22nd most expensive city in the world in 2008, the highest any Spanish city has ever featured.

Madrid is also prominent in the fields of education, technology and innovation. Madrid is the Spanish region which invests most in research and development, exceeding both

---

<sup>3</sup> CIA World Factbook - [www.cia.gov/library/publications/the-world-factbook/geos/sp.html](http://www.cia.gov/library/publications/the-world-factbook/geos/sp.html)

<sup>4</sup> Instituto Nacional de Estadística, Contabilidad Regional de España, Principales Resultados. Serie 1995-2009 – [www.ine.es](http://www.ine.es)

<sup>5</sup> Madrid Economy Barometer 25th Edition – July 2010

the national and European average as a percentage of GDP<sup>6</sup>. Madrid acts as a centre for research, both public and private. The Autonomous University of Madrid is one of the most prestigious universities in Spain. Complutense University of Madrid is the largest university in Spain and one of the oldest universities in the world. IE Business School has its main campus on the border of the Chamartín and Salamanca districts of Madrid. The area of Madrid has a well developed communication infrastructure which makes the city the main logistics centre for Spain and for southern Europe. If the aims of the ambitious AVE program (Spanish high speed trains) are met, by 2012 Madrid will be linked with Lisbon in less than 4 hours.<sup>7</sup>

### **Spanish Non Profit Sector**

As found by Olabuénaga, Anheiner, Lara and Salamon (2000), in 1995 Spain counted more than 250.000 nonprofit organizations and one million volunteers that dedicate more than 4 hours per week and about 475.000 paid jobs. When measuring the civil society organization workforce as a share of the economically active population, the Spanish figure is on a par with that for Southern European neighbors, Portugal and Italy (Franco, Sokolowski, Hairel and Salamon, 2005). About 96% of the social economy enterprises are micro (with less than 10 employees) and small (with 11 to 49 employees) enterprises (Li & Wong, 2007). Regarding geographic distribution, as Piñar and Sánchez (2001) acknowledged the majority of associations are in the regions of Andalusia (32,142), Catalonia (30,177) and Madrid (20,416) (year 1998). In terms of foundations the highest number is found in Madrid (28.6% of the total) and in Catalonia

---

<sup>6</sup> Observatório Económico – Madrid Economy, 2009.

[http://www.esmadrid.com/recursos/doc/en/Negocio/ObservatorioEconomico/1880715456\\_1311200914454.pdf](http://www.esmadrid.com/recursos/doc/en/Negocio/ObservatorioEconomico/1880715456_1311200914454.pdf)

<sup>7</sup> Observatório Económico – Madrid Economy, 2009.

[http://www.esmadrid.com/recursos/doc/en/Negocio/ObservatorioEconomico/1880715456\\_1311200914454.pdf](http://www.esmadrid.com/recursos/doc/en/Negocio/ObservatorioEconomico/1880715456_1311200914454.pdf)

(24.9% of the total) (year 2000). Income of third sector organizations is about 5,640 million Euros and the main source of funding are public subsidies (Díaz and Novo, 2002). In 2001, the third sector generated almost €22 billion, 3.3% of Spanish GDP. Employees are the largest expense, about 51.9% of the budget (Delgado, Jiménez, Sáez and Viaña, 2004). According to Li & Wong (2007), both Spanish government and the academia agree that the growth of social economy in Spain has been hindered by the major problems like legal and administrative barriers; lack of a specific regulatory framework for social insertion companies; financing difficulties; insufficient business support; and inadequate public understanding of social economy.

## **6. Entry Mode**

IES has an innovative product that does not exist in Spain and has already been successfully tested in several Portuguese municipalities. Hence, IES gathers critical expertise on running ES+ and its staff represent a major asset and competitive advantage over others willing to replicate ES+. Moreover, IES has build credibility and network and by now enjoys sustainable support from partners that can continue to play an important role as funders and facilitators for unlocking important doors. ES+ methodology held by IES has proved to work and enjoys potential for replication elsewhere. Lastly, IES has already some contacts in Madrid that may enhance the reach of ES+. As a start-up, IES has limited resources and therefore funds allocation should be carefully selected considering that one strategic driver is sustainability of operation which means that Madrid venture cannot consume critical resources that may be needed to develop the national expansion of ES+.



Spain enjoys proximity with Portugal in all senses, from economical and political aspects to geographic or cultural ones. This proximity allows IES to focus on its operations instead of lateral aspects of internationalizations that are not the vital for the business. One important flaw in going to Madrid compared to domestic expansion is that some of IES' partners do not have activities in Spain and for that reason may have less interest in supporting this initiative. As a consequence, IES probably needs to renegotiate partnerships with current partners that have operations both in Spain and Portugal to build international partnerships instead of national partnerships. Alternatively IES may also hunt for new Spanish based partners to support this first move into internationalization. Madrid is considerable larger than the municipalities where IES has already run ES+ and since this expansion is a pilot to test the Spanish market it could be safer to test ES+ first on a subdivision of Madrid or a surrounding municipality that has a size that better matches IES experience in Portugal. The upcoming experience of ES+ in Oporto may give important lessons to apply in Madrid. As suggested by the Uppsala model of internationalization, companies should gradually develop international operations step-by-step starting with exports. The export option is not available for ES+ because, as a service, its production and consumption occur simultaneously and as a consequence IES has to start from a more advanced stage. Investment is also not an option because IES has not enough financial resources and this would also expose them to more risk, something that is not wanted by the board. Hence, IES is limited to contractual entry. Licensing and franchising allow quick penetration in the market with low initial investment but expose the company to the risk of transferring vital knowledge to partners who can later become competitors. Between this two, franchising has the advantage of allowing more control from IES to eventual

franchisees. A non-equity joint venture would not transfer as much knowledge to the partners as franchising or licensing but IES would lose some control over operations because decisions have to be shared. Still, if a compatible local partner is found it can open doors for a very successful operation since this would have privileged knowledge and network over the market. In this scenario it must be ensured that both parties have compatible but not overlapping capabilities. Turnkey projects are too expensive and management contracts are not adequate to apply in this business because they imply transferring critical knowledge and have little or no return for IES. Both franchising and a non equity cross national joint venture have potential to replicate ES+ and ensure all its critical success factors. Still, it might be really difficult to find franchisees and besides that franchising has the risk of transferring critical knowledge. For all those reasons, a non equity cross national joint venture seems to ensure the task of reducing risk and introducing IES to a new market environment without high risks of transferring knowledge that eventually could become a competitor. Silva & Sousa (2009) characterize a non equity joint venture as “a formal cooperation agreements between companies that do not involve the sharing of capital or the creation of a new legal entity.”

The motivations for a non equity joint venture can be many and also its benefits but the selection of partners should be done with some rigorous criteria so that potential future conflicts are eliminated. First, it is essential that capabilities do not overlap and that partners have aligned objectives. Namely, IES has to conduct an analysis of potential partner's strategy, objectives and commitment. Lastly, IES has to ensure that both technical and intellectual capital cannot be exploited by the partner so that it becomes a competitor. A safe strategy in this case might be to expand current successful

partnerships in Portugal with current partners that have interest in sponsoring IES in Spain, namely those who run Iberian activities like Banco Santander, EDP and Accenture or those who are planning to do in a near future.

## **7. Conclusions**

This Work Project addressed the internationalization of IES' program ES+ as a way to foster scale, innovation and sustainability to IES. Spain was considered the best option among eight markets and as a consequence of that a market analysis of Spain and Madrid was conducted. Besides providing vital information for proper entry mode selection, this market analysis also represents a good summary of the Spanish social sector. Furthermore, several entry modes were considered and the recommendation was made for a non-equity joint venture between IES and Spanish or Iberian firms that would basically consist on a partnership with no overlapping capabilities so that missing resources were gathered to carry out the project successfully. In this case, good partners would be those contributing with funding and market knowledge. It is believed that this option would allow IES to expand their expertise and better replicate the critical success factors of ES+ in Portugal in such a manner that will not require a significantly larger financial investment than expanding to other domestic region. All in all, besides the constraints from a different language, ES+'s probabilities of success in Spain should be high because it enjoys high proximity with Portugal, has very little data on social entrepreneurship and the latest economical constraints and unemployment made the importance of these organizations' role more evident. Some organizations, like Ashoka or IE Business School, develop activities towards social entrepreneurship focused on supporting or studying initiatives and do not compete directly with ES+.

To achieve these recommendations it was applied a model of foreign country selection that considers four dimensions to measure risk within internationalization. Naturally, this framework may also be used by other similar organizations seeking to expand operations internationally. This document also contributed to discuss some concepts on the social sector and adapt solutions used in the for-profit world to enrich the assortment of solutions that organizations may use within the social sector. Although driven by different variables it is important that research keeps on testing for-profit tools in the non-profit world as long as they are sensitive with the non-profit qualms.

Due to a lack of research on internationalization applied to the social sector, this work might let pass some accuracy since the basis of this work lies on for-profit methodologies. Moreover, it is impracticable to collect recent and relevant data on a local basis and most of the time this work had to support itself on country and regional approximations. In the same way, it is important that authorities and organizations increase the production of data so that becomes possible to perform rigorous market analysis within the social sector. To guide future developments on this field it is recommended to develop an implementation plan for both IES and ES+ in Spain with a feasibility analysis of a hypothetical Iberian coverage. Moreover, researchers should also question the current mindset of IES' expansion and examine the most efficient internationalization strategy to obtain the widest global reach possible having in mind the limited resources and the need to protect intellectual capital. Finally, since the current strategy for domestic and international expansion will be inevitably slow and expensive it should be interesting to question the way it is being thought to be and dare to rethink completely the idea of a global expansion for IES.

## **References**

- Ahlert, D., Fleisch, H., Dinh, H. V. D., Heußler, T., Kilee, L., & Meuter, J.** 2008. *“Social Franchising - A Way of Systematic Replication to Increase Social Impact”*. Berlin: Bundesverband Deutscher Stiftungen.
- Anderson, E. & Gatignon, H.** 1986. “Modes of foreign entry: a transaction cost analysis and propositions”. *Journal of International Business Studies*, vol. 12, n. 3, pp. 23-34.
- Blomstermo, A. & Dharma, D. S.** 2003. *“Learning in the internationalization process of firms”*. Cheltenham: Edward Elgar Publishing’
- Bornstein, D.** 2004. *“How to Change the World: Social Entrepreneurs and the Power of New Ideas”*. New York: Oxford University Press
- Bradach J.** 2004. *“Going to Scale: The Challenge of Replicating Social Programs”*. *Stanford Social Innovation Review*, vol. 1, pp. 18-25
- Cavusgil, S. T.** 1980. “On the internationalization process of firms”, *European Research*, vol. 8, no. 6, pp.273-281
- Dees, J.G.** 2001. *“The meaning of “social entrepreneurship.”* Kansas City: Kauffman Foundation.
- Driscoll, A.** 1995. “Foreign market entry methods: a mode choice framework”. In SJ Paliwoda & JK Ryans (eds), *International marketing reader* pp. 15-34. London: Routledge
- Erramilli, M.K.** (1990) “Entry mode choice in service industries”. *International Marketing Review* 7(5): 50-62.

- Forsgren, M. & Hagström, P.** 2007. "Ignorant and Impatient Internationalization?: The Uppsala Model and Internationalization Patterns for Internet-related Firms." *Critical Perspectives on International Business*, Vol. 3 No. 4, 2007, pp. 291-305
- Franco, R.C., Sokolowski, S.W., Hairel, E.M.H. and Salamon, L.M.** 2005. "*The Portuguese Nonprofit Sector in Comparative Perspective*". Porto: Universidade Católica Portuguesa / John Hopkins University.
- García Delgado, J. L., Jiménez, J. C., Sáez, J., Viaña, E.** 2004. "*Las cuentas de la economía social. El tercer sector en España*". Madrid: Civita Ediciones
- Hofstede, G.** 1984. *Culture's consequences: International differences in work-related values*. Newbury Park: Sage.
- Hortaçsu, A. & Tektaş, A.** 2009. "Modeling the Country Selection Decision in Retail Internationalization". *International Journal of Business, Economics, Finance and Management Sciences*, pp. 102-109.
- Johanson, J & Wiedersheim-Paul, F.** 1975. "The Internationalization of the Firm: Four Swedish Cases", *Journal of Management Studies*, vol. 12, pp. 305-22.
- Li, S. & Wong, T.** 2007. "*Social Enterprise Policies of the United Kingdom, Spain and Hong Kong*". Hong Kong: Research and Library Services Division Legislative Council Secretariat.
- Nicholls, A.** 2006. "*Social Entrepreneurship: New Models of Sustainable Social Change*", New York: Oxford University Press
- Papadopoulos, N. & Denis, J.** 1988. "Inventory, Taxonomy and Assessment of Methods for International Market Selection" *International Marketing Review*, Autumn, 1988, pp. 38-51.

- Pérez Díaz, V., López Novo, J. P.** 2002 “*El tercer sector social en España*”. Madrid: Ministerio de Trabajo y Asuntos Sociales
- Piñar, J. L., Sánchez, R.** 2001. “*El tercer sector iberoamericano: fundaciones, asociaciones y ONG*”. Valencia: Tirant lo Blanch
- Ruiz Olabuénaga, J. I., Anheiner, H., Jiménez Lara, A., Salamon, L.** 2000 “*El sector no lucrativo en España*”. Bilbao: Fundación BBVA
- Schnitzer, M.** 1979. “*Critical success factor analysis of non-profit organizations: a case study*”. Boston: Massachusetts Institute of Technology
- Silva, S. & Sousa, M.** 2009. “Consórcios internacionais de empresas de construção civil: O caso da Mota-Engil”. *Rev. Portuguesa e Brasileira de Gestão*, vol.8, n.2, pp.51-63.
- Urbano, D., Toledano, N. and Soriano, D.** 2010. “Analyzing Social Entrepreneurship from an Institutional Perspective: Evidence from Spain”. *Journal of Social Entrepreneurship*, 1(1), 54-69.

## Appendices

### Appendix 1 - Proximity approach on country selection (Hortacsu and Tektas, 2009)

Dimension	Items	Definition	Measure
Ethical Proximity	Corruption	Abuse of public office for private gain by means of bribery of public officials, kickbacks in public procurement, embezzlement of public funds	Transparency International's (TI) Global Corruption Barometer
	Humane Orientation	Degree to which an organization and society encourages and rewards individuals for being fair, altruistic, friendly, generous, caring, and kind to others	GLOBE study - Global Leadership and Organizational Behavior Effectiveness
Cultural Proximity	Uncertainty avoidance	Strong uncertainty avoidance cultures are active, aggressive, emotional, security seeking, and intolerant	Hofstede (1984)
	Power Distance	Extent to which less powerful individuals accept inequality in power and considers it as normal	
	Masculinity Vs. Femininity	In the masculine cultures, people are expected to be assertive, ambitious, competitive, striving for material success and lacking concern for others whereas in more feminine societies emphasize values such as relationship, modesty, caring for the weak, and the quality of life	
	Individualism Vs. Collectivism	Individualist cultures are assumed to be concerned with their own interests, and interests of their immediate family whereas in collectivist cultures, identity is based in the social network to which one belongs	
Geographical Proximity	Physical distance	Border countries Vs. Distant markets	Absolute distance
	Psychic distance	The perceived degree of similarity or difference between the home and foreign markets. The dimension reflects the perceived differences in languages, business practices and political, legal, economic development, infrastructure, education and culture	Failed States Index
			Euromoney Country Risk
Economic Proximity	GDP per capita		Human Development Index
	Competitiveness	Assessment of countries' competitiveness, offering insights into the policies, institutions, and factors driving productivity and, thus, enabling sustained economic growth and long-term prosperity	Language
Economic Proximity	GDP per capita	An approximation of the value of goods produced per person in the country, equal to the country's GDP divided by the total number of people in the country	GDP per Capita
	Competitiveness	Assessment of countries' competitiveness, offering insights into the policies, institutions, and factors driving productivity and, thus, enabling sustained economic growth and long-term prosperity	Global Competitiveness Index

### Appendix 2 – Factors that influence entry mode decision (Driscoll, 1995)

Situational influences	Firm factors	Firm-specific advantages
		Experience
		Strategic considerations
	Environmental factors	Demand and competitive conditions
		Political and economic conditions
		Socio-cultural conditions
Moderating variables	Government policies and regulations	
	Corporate policies	
	Firm size	



### Appendix 3 – Proximity approach: absolute results by country

Dimension	Items	Measure	POR	ANG	BRA	CPV	GER	MOZ	SPA	TUR	UAE
Ethical Proximity	Corruption	Transparency International's (TI) Global Corruption Barometer	6	1,9	3,7	5,1	7,9	2,7	6,1	4,4	6,3
	Humane Orientation	GLOBE study - Global Leadership and Organizational Behavior Effectiveness	3,71	4,3*	3,66	4,3*	3,18	4,3*	3,32	3,94	4,36*
Cultural Proximity	Uncertainty avoidance	Hofstede (1984)	104	77*	76	77*	65	52*	86	85	68*
	Power Distance		63	54*	69	54*	35	64*	57	66	80*
	Masculinity Vs. Femininity		31	46*	49	46*	66	41*	42	45	53*
	Individualism Vs. Collectivism		27	20*	38	20*	67	27*	51	37	38*
Geographical Proximity	Physical distance	Distance (Km)	0	5777	7953	3000	2313	8407	503	3238	6103
	Psychic distance	Failed States Index (2010)	33,1	83,7	67,4	77,2	35,4	81,7	43,5	77,1	52,4
		Euromoney Country Risk (2010)	73,81	41,78	69,57	22,69	84,52	41,54	72,27	62,57	73,67
		Human Development Index (2010)	0,795	0,403	0,699	0,534	0,885	0,284	0,863	0,679	0,815
		Language	POR	POR	POR	POR	GER	POR	SPA	TUR	ARA
Economic Proximity	GDP per capita	GDP per Capita (PPP) in USD by IMF (2010)	22671	6181	10499	3455	34388	933	29625	12466	36843
	Competitiveness	Global Competitiveness Index (2010)	4,38	2,93	4,28	3,51	5,39	3,32	4,49	4,25	4,89

\* Due to unavailability of data some scores are not totally accurate; instead equivalent regional scores were used. Angola, Cape Verde and Mozambique scores on human orientation are for the sub-Saharan clusters. UAE's scores on human orientation are for the Arab countries cluster. Angola and Cape Verde's cultural dimension scores are for the west Africa region. Mozambique's cultural dimension scores are for the east Africa region. UAE's cultural dimension scores are for the Arab countries region.

### Appendix 4 – Proximity approach: relative results by country

Dimension	Items	Angola	Brazil	Cape Verde	Germany	Mozambique	Spain	Turkey	UAE
Ethical Proximity	Corruption	1	1	4	2	1	5	3	5
	Humane Orientation	3	5	3	3	3	4	4	3
<b>Total Ethics</b>		<b>2,0</b>	<b>3,0</b>	<b>3,5</b>	<b>2,5</b>	<b>2,0</b>	<b>4,5</b>	<b>3,5</b>	<b>4,0</b>
Cultural Proximity	Uncertainty avoidance	3	3	3	2	1	4	4	2
	Power Distance	5	5	5	3	5	5	5	3
	Masculinity Vs. Femininity	4	3	4	1	4	4	4	2
	Individualism Vs. Collectivism	5	3	5	1	5	3	5	4
<b>Total Cultural</b>		<b>4,25</b>	<b>3,5</b>	<b>4,25</b>	<b>1,75</b>	<b>3,75</b>	<b>4</b>	<b>4,5</b>	<b>2,75</b>
Geographical Proximity	Physical distance	2	5	4	4	5	5	4	2
	Psychic distance	1	2	2	5	1	5	2	4
		2	5	1	5	2	5	5	5
		2	4	3	5	1	5	4	5
		5	5	5	2	5	4	1	2
<b>Total Geographic</b>		<b>2,4</b>	<b>4,2</b>	<b>3</b>	<b>4,2</b>	<b>2,8</b>	<b>4,8</b>	<b>3,2</b>	<b>3,6</b>
Economic Proximity	GDP per capita	2	3	2	4	1	5	3	4
	Competitiveness	1	5	4	3	2	5	5	4
<b>Total Economic</b>		<b>1,5</b>	<b>4</b>	<b>3</b>	<b>3,5</b>	<b>1,5</b>	<b>5</b>	<b>4</b>	<b>4</b>
<b>TOTAL</b>		<b>2,5</b>	<b>3,7</b>	<b>3,4</b>	<b>3,0</b>	<b>2,5</b>	<b>4,6</b>	<b>3,8</b>	<b>3,6</b>